

currently set by the North American Electric Reliability Council (NERC), a utility industry association. Canada, in consultation with provincial government officials and the industry, will continue to monitor developments in the U.S. electricity sector, to assess implications with respect to U.S. international trade obligations, as well as other commercial and economic factors.

Commercial Alcohols

Canadian exporters of industrial alcohol to the United States must channel shipments through a U.S. distilled spirits plant (DSP), to enter the manufacturing process free of U.S. excise tax. This negatively affects the competitiveness of their product, since these DSPs are operated by U.S. competitors, or potential competitors, of Canadian producers.

Canada will continue to discuss this access issue with U.S. authorities, with the objective of putting in place alternative arrangements to allow product to be shipped directly to U.S. industrial users.

Mutual Recognition Agreement on Fish Inspection Systems

The United States adopted mandatory Seafood Hazard Analysis Critical Control Point (HACCP) regulations on December 18, 1997, which apply to both domestic and imported products. Canada and the United States have agreed to work toward the establishment of an MRA on fish-inspection systems. As an interim arrangement, the two sides exchanged letters in December, whereby the Food and Drug Administration (FDA) provided assurances that U.S. importers purchasing from Canadian fish and seafood facilities included on the Canadian Food Inspection Agency's plant list will be deemed to have met the "affirmative steps" obligations of the new HACCP regulations. This arrangement has effectively allowed the uninterrupted flow of Canadian seafood products. Canada and the United States have agreed to continue working co-operatively in an effort to complete the MRA as soon as possible.

IMPROVING ACCESS FOR TRADE IN SERVICES

Financial Services

Canada is closely monitoring initiatives in the United

States aimed at modernizing that country's financial services sector. With respect to the cross-border provision of services, Canada wishes to see a more level playing field in the securities sector. Under the NAFTA, Canada, Mexico and the United States are committed to revisiting this issue by the year 2000.

Telecommunications

The Federal Communications Commission (FCC) has adopted two orders to implement the U.S. commitment under the ABT, which entered into force on February 5, 1998. Under the Foreign Carrier Entry Order, carriers from WTO member countries, such as Canada, will be able to enter the U.S. market, or to own 100% indirectly (and 20% directly) of a licensed U.S. carrier or a submarine cable owner, under the "rebuttable presumption" that their entry is in the public interest. The DISCO II (Domestic International Satellite Consolidation) order does the same for telecommunications satellite services. In both cases, the previous reciprocity-based "effective competitive opportunities" test has been removed, though foreign and trade policy will continue to be taken into consideration. Access to the United States market also depends on implementation of certain key provisions of the Telecommunications Act of 1996.

Canada will closely monitor implementation of the U.S. commitment to allow foreign suppliers to provide local, long distance and international telecommunications services, on a facilities or resale basis, in accordance with the multilaterally agreed regulatory principles.

Shipping

A number of maritime laws (collectively known as the "Jones Act") impose a variety of limits on foreign participation in the U.S. domestic maritime industry. Under these laws, the carriage of cargo or passengers between points in the United States is restricted to U.S.-built and U.S.-documented vessels owned and operated by U.S. citizens. Similar restrictions apply to dredging, salvage and other commercial marine activities in U.S. waters. In international shipping, there are limitations on foreign ownership of vessels eligible for documentation in the United States. In addition, several subsidies and other support measures